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SUBJECT: KAZAKHSTAN'S TEXTILES AND APPAREL SECTOR: UPDATED STATISTICS  
AND PROJECTION OF FUTURE COMPETITIVENESS

¶1. (U) The following data for Kazakhstan in 2005, provided by Lubov Khudova, representative of the Kazakhstani Association of Light Industry Enterprises, and sources from the National Statistics Agency, responds to the questions in refTel.

-- Industrial production: \$38.6 billion

-- Total textile and apparel production: \$242 million

-- Exports in textiles and apparel to the U.S.: N/A  
(negligible)

-- Total manufacturing employment: 540,500 people (892,000 including mining, metallurgy, and extractive industries)

-- Total employment in textiles and apparel: 22,800 (including 1,300 in shoe manufacturing).

¶2. (SBU) According Khudova, a representative of the Kazakhstani Association of Light Industry Enterprises, the country's textile and apparel industry "has not felt" the impact of the end of global textile quotas. Khudova described the internal textile and apparel market as "wild and unregulated." The reason, she said, is that the vast majority of the textile and apparel products on the Kazakhstani market are imports, of which roughly 95% are undeclared. While Kazakhstan does impose import duties on textile products, Khudova explained, customs enforcement is woefully inadequate. This is partially due to gaping loopholes in customs regulations, which allow enterprises classified as small and medium to import large quantities of goods uninspected. It is also partially the result of ineffectiveness and corruption at the customs checkpoints. The government has to date failed to adequately address this problem, said Khudova.

¶3. (SBU) Kazakhstan's "light industry" (which includes textile and shoe manufacturing) has, according to Khudova, contracted dramatically from 15.8% of GDP in the early 1990's to 0.6% of GDP now. Post-Soviet economic decline and readjustment, combined with a flood of cheap imports, particularly from China and Turkey, has led to a collapse of the domestic textile industry. The failure of customs controls, she added, has resulted in domination of the Kazakhstani textile and apparel market by low-grade counterfeit goods. While Kazakhstan still has a substantial government-subsidized cotton-growing sector, 96% of the Kazakhstani cotton is exported. On the other hand, the vast majority of finished goods are imported; only about 8% of textile and apparel products and 1% of shoes purchased on the Kazakhstani market are domestically manufactured.

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